

## **FISCAL NOTE**

### **SB 2907 - HB 2977**

February 12, 2000

**SUMMARY OF BILL:** Increases the privilege tax on cigarettes from 13 cents per pack of twenty to 25 cents per pack of twenty. Increases the privilege tax on other tobacco products from 6% of the wholesale price to 11.5% of the wholesale price. Additional revenue generated by the bill would be earmarked for the sole purpose of funding the TennCare Program.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Net Impact - \$69,371,070**

**Increase State Expenditures - \$25,000 One-Time**

**Decrease Local Govt. Revenues - Net Impact - \$412,829**

Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- An increase in state revenues of approximately \$65,095,920 based on increasing the cigarette tax from 13 cents per pack of 20 to 25 cents per pack of 20.
- A decrease of in-state sales of approximately 5% or 30,277,172 packs due to the increased tax.
- Cigarettes are sold in packs of twenty.
- An increase in state sales tax revenues of approximately \$4,183,912 resulting from the increased price per pack of cigarettes that generates additional sales tax revenue.
- A decrease of approximately \$5,284,941 in state sales tax revenue due to a decrease of in-state purchases of cigarettes.
- The tax base for other tobacco products is approximately \$109,167,017.
- An increase in state revenues of approximately \$5,376,180 based on increasing the tobacco tax from 6% of the wholesale price to 11.5% of the wholesale price.
- A decrease in in-state sales of other tobacco products of approximately \$5,458,051 due to the increased tax.
- An increase in local government sales tax revenues of approximately \$1,568,751 resulting from the increased price per pack of cigarettes that generates additional sales tax revenue.
- A decrease of approximately \$1,981,580 in local government sales tax revenue due to a decrease of in-state purchases of cigarettes.
- A one-time increase in state expenditures of \$25,000 for MIS system implementation costs.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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